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*"Year-to-date,  
General Fund  
revenues are  
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below the  
forecast"*

## Summary

September marked the 6<sup>th</sup> consecutive month of revenue collections falling below the enacted budget forecast. September General Fund revenues were \$867.1 million, which represented an increase of 8.1% above September 2013.

A high September growth rate had been anticipated due to artificially low September 2013 collections. During September 2013, the state paid a \$20 million Corporate Income Tax refund. Given the one-time nature of this refund, revenues were expected to rebound from this low base in the prior fiscal year.

Overall, September collections were \$(5.5) million below the enacted budget forecast. Slow sales tax growth of 2.6% contributed to the September shortfall.

Year-to-date, General Fund revenues are 3.3% above the prior year and are \$(64.5) million below the forecast.

In comparison to revenue of \$867.1 million, September 2014 spending was \$779.3 million which is an increase of \$56.2 million from the prior year.

Fiscal year-to-date, General Fund revenues of \$2.17 billion have been offset by \$3.94 billion of expenditures.

The state's fiscal health can also be measured by the operating fund balance. The state pays its bill out of the operating fund balance, which consists of the General Fund and certain dedicated funds. The operating balance as of mid-October 2014 is \$1.5 billion. In addition, the state's Budget Stabilization Fund has a balance of \$456.1 million.

### October FAC Summary

The Finance Advisory Committee (FAC) met on October 7, 2014 to update its 4-sector revenue forecast. The FAC is a 15-member panel of private and public sector economists and their views serve as one of the 4 equal inputs into JLBC's Consensus Baseline revenue forecast. The remaining 3 inputs are the JLBC Staff forecast and 2 University of Arizona (UA) models.

The JLBC Staff provided the FAC with a presentation on updated FY 2015 – FY 2018 budget projections. Based on a combination of slower than expected revenue growth, the state's existing structural shortfall, and the Superior Court ruling in the K-12 inflation litigation, the state is projected to have significant shortfalls beginning in FY 2015.

The projected shortfall is \$(520) million in FY 2015 and \$(1.0) billion in FY 2016.

For more information, please see the JLBC Staff [Revenue and Budget Update](#) and the complete [October FAC meeting materials](#).

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This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on October 20, 2014.

## Summary (Continued)

### Phoenix Convention Center Report

The Auditor General recently released an analysis of the state revenue impact of the Phoenix Convention Center expansion. The analysis is required under the legislation authorizing the state to partially finance the expansion. The state funds 50% of the debt service for the \$600 million expansion of the Phoenix Convention Center. Since completion of the project in January 2009, the state has made annual distributions of General Fund money to service this debt.

In accordance with statute, the Auditor General contracted for an analysis to estimate how amounts of General Fund revenues resulting from the expansion project compare to debt service payments made by the state since the project's 2009 completion.

The study found that estimated General Fund revenues exceeded the state's debt service payments by \$56.9 million since construction began on the project (2004). The net increase, however, was largely due to the state's low initial debt service payments and sales tax revenue from construction. In the last year of the study (2013), \$8.8 million in added revenues from the project was \$(11.6) million short of the \$20.4 million in debt payments.

Each year following the initial study, the Auditor General is required to update the study's estimate. If the cumulative estimated revenues from the project fail to meet the state's cumulative debt service, the state is to reduce its payments to the City of Phoenix by the shortfall amount.

### Department of Child Safety Report

Pursuant to statutory requirements, the Department of Child Safety (DCS) has submitted its 1<sup>st</sup> quarter report on the backlog of inactive cases. A "backlog" case has had no documentation entered into the automated tracking system ("CHILDS") for 60 days or more.

DCS exceeded its 1<sup>st</sup> quarter goals for reducing the backlog. There were 13,024 backlog cases immediately after the Special Session on June 2. Of those cases, 11,911 were activated in the 1<sup>st</sup> quarter, well ahead of DCS' benchmark of 5,210. The department reported 9,171 activated backlog cases in the investigation phase, or 7,882 cases above its 1<sup>st</sup> quarter benchmark.

When benchmarks were established, DCS did not anticipate being far enough along in the process of reducing the backlog to provide services for backlog cases in the 1<sup>st</sup> quarter, but it provided in-home support services to 28 cases and out-of-home support services to 241 cases. The department also closed 2,518 backlog cases in the 1<sup>st</sup> quarter. (First quarter figures were labeled as preliminary.)

As of September 20, 2014, DCS had 7,854 backlog cases, which consisted of 1,113 June 2 backlog cases and 6,741 post-June 2 backlog cases.

### Child Safety Staff Report

DCS is to submit a hiring report by the 7<sup>th</sup> of each month. As of the *Monthly Fiscal Highlights* publication date, DCS had not yet released its October report.

### U.S. Department of Defense Excess Property Program

The Federal Department of Defense Excess Property Program, also known as the 1033 Program, is a federal program under which military surplus is transferred to state and local law enforcement agencies.

The program was originally created in Federal Fiscal Year (FFY) 1990 under the auspices of the National Defense Authorization Act of FFY 1990 and FFY 1991 when it was known as the 1208 Program and only allowed state and local law enforcement agencies to obtain surplus equipment for counter-drug activities.

In FFY 1997, Congress passed the National Defense Authorization Act of FFY 1997 which expanded eligibility to all law enforcement purposes with preference given to counter-drug and counter-terrorism requests.

The Law Enforcement Support Office within the Defense Logistics Agency oversees the program with the help of a state coordinator (Payson Police Department in the case of Arizona) that keeps track of all of the items issued within their state. All items that are not put into use within a year and utilized for a minimum of 1 year must be returned and when an agency is finished with a particular item they are required to return it or scrap the item with DOD permission.

As of August 18, 2014, 7 state agencies were participants in the program having received at least 15,579 items worth a total of \$5.7 million since the inception of the program in 1990. *Table 8* on page 17 provides a summary of this information.

## September Revenues

Table 1

General Fund Revenues (\$ in Millions)			
	<u>FY 2015 Collections</u>	<u>Difference From Budget Forecast</u>	<u>Difference From FY 2014</u>
September	\$ 867.1	\$ (5.5)	\$ 64.4
Year-to-Date	\$ 2,169.2	\$ (64.5)	\$ (24.2)

**Sales Tax** collections of \$344.7 million were 2.6% above September of last year and \$(8.0) million below the forecast for the month. Year-to-date, collections have grown by 2.3% and are \$(26.1) million below forecast.

The current trend of slow to modest growth remained essentially unchanged through September. Sales tax growth in each of the last 6 months has been below 5%.

Table 2 below includes the major categories of the state's sales tax, which together account for approximately 90% of total collections. As indicated in Table 2, the retail category, which makes up roughly half of sales tax collections, grew by 3.7% in September compared to the same month in the prior year. Collections from contracting activity and sales of utility services (electricity, natural gas, and water) continued to remain weak in September, with growth rates of 1.2% and 0.0% respectively. The only major sales tax category showing strong growth is restaurants and bars, with 14.8% growth in September bringing year-to-date growth to 8.4%.

Table 2

Sales Tax Growth Rates Compared to Prior Year		
	<u>September</u>	<u>YTD</u>
Retail	3.7%	3.7%
Contracting	1.2%	0.9%
Use	(7.0)%	(2.7)%
Restaurant & Bar	14.8%	8.4%
Utilities	0.0%	(0.8)%

**Individual Income Tax** net revenues were \$391.2 million in September, which was 5.2% or \$19.4 million more than the prior year. Collections were \$2.0 million above the forecast for the month. Year-to-date, revenue has grown 2.4% over the prior year, and is \$(14.6) million below the budget forecast.

As indicated in Table 3, withholding was up 4.5% in September. The September increase brings withholding tax collections for the fiscal year to 1.4% over the prior year. This amount is \$(15.5) million below the budget forecast.

September estimated and final payments were 5.7% above last year, and were \$3.1 million above forecast. Year-to-date, payments are \$2.5 million above the forecast.

September refunds were (3.6)% below last year, but were \$(0.8) million greater than the forecast. Year-to-date, refunds are \$(1.6) million greater than the forecast.

Table 3

Individual Income Tax Growth Rates Compared to Prior Year		
	<u>September</u>	<u>YTD</u>
Withholding	4.5%	1.4%
Estimated + Final Payments	5.7%	5.4%
Refunds	(3.6)%	(7.6)%

September **Corporate Income Tax** collections were \$117.6 million, which was \$19.7 million, or 20.2% more than September 2013. Collections for the month were \$(5.7) million below the forecast. Year-to-date, net collections have grown 8.0% compared to the prior year, and are \$(18.6) million below the budget forecast. During September of the prior year, the state paid a \$20 million Corporate Income Tax refund. Given the one-time nature of refund, revenues were forecasted to post a significant growth rate from this low base in the previous year.

**Insurance Premium Tax** collections were \$44.0 million in September, which represents an increase of \$15.0 million, or 51.6% compared to September 2013. Collections for September were \$3.3 million above forecast. Year-to-date collections are \$0.9 million above the budget forecast. The significant increase in September collections was primarily due to growth in health insurance premiums since the January 2014 expansion of Medicaid coverage. Additionally, the timing of a deposit in the prior fiscal year artificially lowered the amount of September 2013 collections, which helped generate a larger growth rate during September 2014.

The **Lottery Commission** reports that October ticket sales were \$54.6 million, which is \$(2.8) million, or (4.8)%, below sales in the prior year. Year-to-date ticket sales are \$160.1 million, which is (6.7)% below last year's sales.

**Highway User Revenue Fund (HURF)** collections of \$104.1 million in September were up \$1.3 million, or 1.2% compared to September of last year. September collections were \$(0.8) million below forecast. Year-to-date collections are 2.3% above FY 2014.

Table 4

## General Fund Revenue: Change from Previous Year and Budget Forecast September 2014

	Current Month					FY 2015 YTD (Three Months)				
	Actual September 2014	Change From				Actual September 2014	Change from			
		September 2013		Budget Forecast			September 2013		Budget Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<b><u>Taxes</u></b>										
Sales and Use	\$344,660,465	\$8,828,695	2.6 %	(\$7,962,893)	(2.3) %	\$1,028,728,809	\$23,224,367	2.3 %	(\$26,120,848)	(2.5) %
Income - Individual	391,176,578	19,394,012	5.2	1,950,031	0.5	976,207,416	23,266,892	2.4	(14,562,129)	(1.5)
- Corporate	117,649,005	19,739,522	20.2	(5,663,115)	(4.6)	144,176,856	10,642,336	8.0	(18,563,928)	(11.4)
Property	79,044	36,683	86.6	39,044	97.6	295,059	44,356	17.7	115,059	63.9
Luxury - Tobacco	1,945,050	(977,773)	(33.5)	(260,994)	(11.8)	6,007,083	(1,340,917)	(18.2)	(261,508)	(4.2)
- Liquor	2,164,538	(184,013)	(7.8)	(179,329)	(7.7)	7,123,523	(279,946)	(3.8)	(180,981)	(2.5)
Insurance Premium	44,017,841	14,975,010	51.6	3,345,500	8.2	129,062,160	17,094,865	15.3	883,471	0.7
Other Taxes	697,242	656,754	--	562,242	416.5	1,562,705	1,441,112	--	1,157,705	285.9
<b>Sub-Total Taxes</b>	<b>\$902,389,763</b>	<b>\$61,355,066</b>	<b>7.3 %</b>	<b>(\$8,169,514)</b>	<b>(0.9) %</b>	<b>\$2,293,163,610</b>	<b>\$72,479,889</b>	<b>3.3 %</b>	<b>(\$57,533,160)</b>	<b>(2.4) %</b>
<b><u>Other Revenue</u></b>										
Lottery	7,025,300	3,175,375	82.5	3,025,300	75.6	7,025,300	(142,650)	(2.0)	(974,700)	(12.2)
License, Fees and Permits	1,709,299	(345,083)	(16.8)	(790,701)	(31.6)	6,498,202	(772,057)	(10.6)	(1,501,798)	(18.8)
Interest	5,318	2,143	67.5	5,318	--	8,448	4,238	100.7	8,448	--
Sales and Services	2,520,956	436,760	21.0	20,956	0.8	4,353,004	206,122	5.0	(646,996)	(12.9)
Other Miscellaneous	587,586	1,322,278	--	(412,414)	(41.2)	6,238,848	3,156,980	102.4	238,848	4.0
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	3,560,913	3,123,620	714.3	810,913	29.5	4,185,405	(1,827,874)	(30.4)	(4,064,595)	(49.3)
<b>Sub-Total Other Revenue</b>	<b>\$15,409,372</b>	<b>\$7,715,093</b>	<b>100.3 %</b>	<b>\$2,659,372</b>	<b>20.9 %</b>	<b>\$28,309,207</b>	<b>\$624,759</b>	<b>2.3 %</b>	<b>(\$6,940,793)</b>	<b>(19.7) %</b>
<b>TOTAL BASE REVENUE</b>	<b>\$917,799,135</b>	<b>\$69,070,159</b>	<b>8.1 %</b>	<b>(\$5,510,142)</b>	<b>(0.6) %</b>	<b>\$2,321,472,817</b>	<b>\$73,104,648</b>	<b>3.3 %</b>	<b>(\$64,473,953)</b>	<b>(2.7) %</b>
<b><u>Other Adjustments</u></b>										
Urban Revenue Sharing	(50,744,644)	(4,035,314)	8.6	0	0.0	(152,233,928)	(11,616,705)	8.3	0	0.0
One-Time Transfers	0	0	--	0	--	0	(81,541,148)	(100.0)	0	--
Sales Tax - 1¢ Increase	0	(647,826)	(100.0)	0	--	0	(4,160,975)	(100.0)	0	--
<b>Sub-Total Other Adjustments</b>	<b>(50,744,644)</b>	<b>(4,683,140)</b>	<b>10.2 %</b>	<b>0</b>	<b>0.0 %</b>	<b>(152,233,928)</b>	<b>(97,318,828)</b>	<b>177.2 %</b>	<b>0</b>	<b>0.0 %</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$867,054,491</b>	<b>\$64,387,019</b>	<b>8.0 %</b>	<b>(\$5,510,142)</b>	<b>(0.6) %</b>	<b>\$2,169,238,889</b>	<b>(\$24,214,180)</b>	<b>(1.1) %</b>	<b>(\$64,473,953)</b>	<b>(2.9) %</b>
<b><u>Non-General Funds</u></b>										
Highway User Revenue Fund	\$104,092,470	\$1,268,107	1.2 %	(\$788,380)	(0.8) %	\$313,829,122	\$6,928,963	2.3 %	\$790,961	0.3 %

## Monthly Indicators

### NATIONAL

#### National

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Real Gross Domestic Product (GDP)** increased at an annual rate of 4.6% in the second quarter of 2014. This represents a 0.4% upward revision from the last second quarter estimate and a strong turnaround from a (2.1)% decrease during the first quarter of the year. Growth during the current was primarily due to increases in inventory investment, exports, consumption, nonresidential fixed investment, state and local government spending, and residential fixed investment. Some of the large increase in the second quarter likely represents a rebound following a harsh winter and other temporary issues in the first quarter.

The Conference Board's **U.S. Consumer Confidence Index** dropped by (7.9)% in September, but remained 7.2% above a year earlier. This month's decrease undid much of the growth streak that occurred in the index over the prior 4 months. The monthly drop was widespread, mostly strongly driven by the short term outlook on labor markets rather than the immediate economic environment.

The Conference Board's **U.S. Leading Economic Index** increased by 0.2% in August and 6.8% since August 2013. This month marked the sixth consecutive monthly increase in the index, albeit at a slower pace. Of the index's 10 components, 4 improved while 6 remained the same or decreased. Movement in interest rates was the largest positive contributor to the index while initial unemployment claims was the biggest drag.

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Personal Consumption Expenditure Price Index (PCEPI)** was unchanged in August from the prior month while growing 1.5% above August 2013 levels. While the year-over-year growth rate has dipped since reaching 1.7% in May, it is still well above the 1.0% rate in February. The PCEPI is the Federal Reserve Bank's preferred inflation measure for determining the pace at which monetary stimulus to the economy is reduced. The Bank generally aims to maintain annual inflation of 2% over the medium term. In October, the Bank will end its purchase of bonds to stimulate the economy. The Fed continues to issue short-term loans at nearly 0% interest rates.

### ARIZONA

The Federal Reserve Bank of Philadelphia's **coincident index** gauges current economic activity in each state. The index combines 4 indicators: employment, average hours worked in manufacturing, unemployment rate, and inflation-adjusted wages.

Arizona's coincident index increased by 2.5% compared to August 2013. Over the same time period, the U.S. coincident index increased by 3.0%. *See Appendix A – Tracking Arizona's Recovery* for additional historical information.

#### Housing

The total housing inventory in the Greater Phoenix area is 12.8% larger than September of last year, suggesting a slower market. This is evidenced by homes being listed longer before selling. In September 2013, homes were on the market an average of 62 days. In September 2014, homes were on the market an average of 84 days.

The **median price of a single family home** remained the same at \$200,000 in September compared to August. The price is 9.5% higher than September of last year.

Single family housing construction continues to weaken, while multi-family construction continues to expand. Arizona's 12-month total of **single-family building permits** is 17,371, or (1.4)% less than a year ago. The comparable single-family permit growth rate for the entire U.S. is 2.4% above last year. *See Appendix A – Tracking Arizona's Recovery* for historical information.

In contrast, the 12-month total of multi-family building permits has increased significantly since last year. Arizona's total of 9,133 **multi-family building permits** is 48.3% above 2013. Arizona's rate of increase is greater than the comparable multi-family permit growth for the U.S. as a whole which is 12.8% above 2013.

#### Employment

The state's regular **unemployment rate** decreased from 7.1% in August to 6.9% in September. This monthly decrease reverses some of the growth in the jobless rate during the 3 prior months. The U.S. unemployment rate decreased in September, going from 6.1% to 5.9%.

According to the latest employment report released by the Department of Administration, the state added 28,800 **Nonfarm jobs** in September compared to the prior month. This was 4,800 jobs above the average

## Monthly Indicators (Continued)

increase of 24,000 jobs for September in the prior 10 years. Almost all of the monthly net gain (26,900) was due to an increase in government payrolls as more public schools continued to resume their classes in September. About 99% of August's employment increase (or 28,400 jobs) was attributable to state and local education. The private sector added 1,900 jobs between August and September, which is slightly below the average increase of 2,200 jobs for September in the prior 10 years.

In terms of specific industries, 6 of 11 sectors gained jobs, 3 lost jobs and 2 experienced no change from August to September. The largest month-over-month gains in private industries were concentrated in Education and Health Services (+2,600), Leisure and Hospitality (+1,100), and Professional and Business Services (+1,000). The construction industry lost 2,900 jobs during the month, which was worse than the average 10-year decrease (-1,200) and average post-recession decrease (-1,100) for the sector.

Compared to the same month in the prior year, nonfarm employment in September was up 2.1%, or 53,200 jobs. September's growth is down from a reading of 2.5% in July, but still marks the third consecutive month in which growth has exceeded 2.0%, year-over-year.

Jobs have increased in all industries since September 2013, except in construction (-8,300). About 92% of gains since last year have come from 4 of the private service-providing sectors of the Arizona economy: Education and Health Services (+17,200), Professional and Business Services (+14,400), Leisure and Hospitality (+9,200), Financial Services (+8,400).

In July, the **Average Weekly Hours** worked by individuals in Arizona's private sector was 34.3 hours. This workload is (1.2)% below that seen during August 2013. The **Average Hourly Earnings** received by these private sector workers was \$22.78, which is (1.7)% below the average in August 2013.

### State Agency Data

At the beginning of October, the total **AHCCCS** caseload was 1.6 million members. Since the federal health care expansion in January, the overall AHCCCS population has grown by 342,394 members. The enacted budget assumed the AHCCCS population would grow by 281,150 members through October 2014.

Total monthly enrollment growth increased 1.2% in October, a deceleration from growth of 1.9% in September, 2.6% in August, and 3.0% in July. New enrollment from the expansion appears to be gradually phasing down, which would continue to reduce the pace of monthly caseload increases.

The Proposition 204 childless adult category accounts for much of this growth above forecast. In January, the state started accepting new enrollment in this program. Since that time, the childless adult population has increased by 198,744 to reach a level of 266,514. This is compared to a budgeted level of 195,478 for October. The state share of the Proposition 204 cost is paid through a hospital assessment and not the General Fund.

In October the number of childless adults increased by 8,345, or 3.2% above September. The October monthly gain is the lowest of the calendar year.

The state also opted to expand adult Medicaid coverage to 133% of FPL. The 100% - 133% enrollment increased by 1,537 in October and now totals 30,014 individuals enrolled since January 2014 (versus a budgeted caseload of 43,308). The federal government is currently paying 100% of this cost.

The traditional acute care AHCCCS population of lower income children and their parents grew by 4,633 in October to a level of 987,424 (versus a budgeted caseload of 997,653). The October level represents an increase of 0.5% since last month and 11.2% since last year.

In the last 12 months, there were 45,757 **reports of child maltreatment** which is an increase of 3.6% from the prior year, based on preliminary data from the Department of Child Safety. There were 16,636 **children in out-of-home** care in July 2014, an increase of 0.5% from June. Year-over-year, the number of out-of-home-children has grown by 13.9%.

The **Arizona Department of Corrections (ADC)** recorded an inmate population of 42,087 for September 2014. The population grew just under 0.1% from August. There was an increase of 1,229, or 3.0%, in prisoners since last September.

There were 30,389 **TANF recipients** in the state in August, representing a 1.9% increase in monthly caseloads over July. The year-over-year number of TANF recipients has declined by (19.4)%. The statutory lifetime limit on cash assistance is 24 months.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. This August, there were 1.1 million food stamp recipients in the state, representing a 0.4% increase over July caseloads. Compared to the same month last year, food stamp participation declined by (5.4)%.

Table 5

## MONTHLY INDICATORS

<u>Indicator</u>	<u>Time Period</u>	<u>Current Value</u>	<u>Change From Prior Period</u>	<u>Change From Prior Year</u>
<b>Arizona</b>				
<u>Employment</u>				
- Regular Unemployment Rate	September	6.9%	(0.2)%	(1.1)%
- Total Unemployment Rate (discouraged/underemployed)	2 <sup>nd</sup> Q 2014	15.9%	(0.2)%	0.2%
- Initial Unemployment Insurance Claims	August	18,501	(26.5)%	(9.8)%
- Unemployment Insurance Recipients	June	42,214	7.3%	1.8%
- Non-Farm Employment - Total	September	2.58 million	1.1%	2.1%
Manufacturing	September	155,500	(0.3)%	0.3%
Construction	September	117,600	(2.4)%	(6.6)%
- Average Weekly Hours, Private Sector	August	34.3	0.3%	(1.2)%
- Average Hourly Earnings, Private Sector	August	\$22.78	(0.3)%	(1.7)%
<u>Sales</u>				
- Retail Taxable Sales				
Motor Vehicles/Misc. Auto	July	\$851.1 million	(9.0)%	1.0%
Furniture/Home Furnishings	July	\$334.5 million	16.4%	(3.8)%
Building Material/Lawn & Garden	July	\$311.0 million	(2.5)%	3.5%
<u>Building</u>				
- Residential Building Permits (12-month avg)				
Single-family	August	17,371	(1.0)%	(1.4)%
Multi-family	August	9,133	5.7%	48.3%
- Maricopa County/Other, Home Sales (ARMLS)				
Single-Family (Pending Sales)	September	4,781	0.5%	(15.9)%
- Maricopa County/Other, Median Home Price (ARMLS)				
Single-Family (Pending Sales)	September	\$200,000	0.0%	9.5%
- Phoenix S&P/C Home Price Index (2000 = 100)	July	147.35	0.3%	5.7%
- Maricopa Pending Foreclosures	September	6,190	(0.4)%	(31.5)%
- Greater Phoenix Total Housing Inventory, (ARMLS)	September	26,379	(2.5)%	12.8%
<u>Tourism</u>				
- Phoenix Sky Harbor Air Passengers	August	3.46 million	(3.6)%	4.6%
- National Park Visitors	May	1,177,331	21.9%	(4.6)%
- State Park Visitors	July	199,996	16.4%	(17.8)%
- Revenue Per Available Hotel Room	August	\$49.53	(4.1)%	8.9%
<u>General Measures</u>				
- Arizona Consumer Confidence Index (1985 = 100)	3rd Q 2014	71.6	(4.7)%	(1.2)%
- Arizona Coincident Index (July 1992 = 100)	August	189.25	0.2%	2.5%
- Arizona Leading Index -- 6 month projected growth	August	3.5%	(0.2)%	0.8%
- Arizona Personal Income	2 <sup>nd</sup> Q 2014	\$254.9 billion	5.7%	4.2%
- Arizona Population	July 2013	6.63 million	N/A	1.2%
- State Debt Rating				
Standards & Poor's/Moody's	Dec 09/July 10	AA- / Aa3	N/A	N/A
Outlook	Nov 13	Positive	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	October	1,600,536	1.2%	25.6%
Acute Care Traditional		987,424	0.5%	11.2%
Prop 204 Childless Adults		266,514	3.2%	276.2%
Other Prop 204		168,647	1.1%	14.0%
Adult Expansion		30,014	5.4%	-
Kids Care I		1,945	(1.1)%	(69.7)%
Kids Care II		0	0.0%	(100.0)%
Long-Term Care -- Elderly & DD		56,071	0.3%	3.4%
Emergency Services		89,921	2.7%	33.6%
- Department of Child Safety (DCS)				
Annual Reports of Child Maltreatment (12-month total)	July 2014	45,757	0.9%	3.6%
DCS Out-of-Home Children	July	16,636	0.5%	13.9%
Filled Caseworkers (1,406 Budgeted)	August	1,306	25	115
- ADC Inmate Growth	September	42,087	0.1%	3.0%
- Department of Economic Security				
- TANF Recipients	August	30,389	1.9%	(19.4)%
- SNAP (Food Stamps) Recipients	August	1,058,463	0.4%	(5.4)%
- Judiciary Probation Caseload				
Non-Maricopa	June	17,692	193	(26)
Maricopa County	June	25,568	556	225
<b>United States</b>				
- Gross Domestic Product	2 <sup>nd</sup> Q, 2014	\$16.0 trillion	2.6%	4.6%
(Chained 2009 dollars, SAAR)				
- Consumer Confidence Index (1985 = 100)	September	86.0	(7.9)%	7.2%
- Leading Indicators Index (2004 = 100)	August	103.8	0.2%	6.8%
- Consumer Price Index, SA (1982-84 = 100)	August	237.4	(0.2)%	1.7%
- Personal Consumption Price Index (2009 = 100)	August	109.1	0.0%	1.5%

## JLBC Meeting

At its September 30, 2014 meeting, the Joint Legislative Budget Committee considered the following issues:

**Arizona Department of Administration – Review of Automation Projects Fund** – The Committee gave a favorable review of expenditure plans from the Automation Projects Fund for 3 information technology (IT) projects:

- A. \$3.3 million for enhancements to the state's IT infrastructure. They include project management; enterprise architecture; E-Government; and security, privacy, and risk upgrades;
- B. \$2.9 million for improvements to the State Data Center at the Arizona Strategic Enterprise Technology (ASET) Office in the Arizona Department of Administration; and
- C. \$2.8 million for 6 security enhancement projects at the ASET Office.

The Committee added technical provisions to its favorable review.

**Arizona Department of Corrections – Review of FY 2014 Bed Capacity Report** – The Committee gave a favorable review of the Department of Corrections' FY 2014 bed capacity report, which outlined the state's prison bed surplus/shortfall by classification level under various methodologies.

During FY 2014, the department increased its total operating capacity by 605 beds, from 41,810 to 41,415. Despite these additional beds, the FY 2014 operational surplus decreased by 482 beds, from 1,124 to 642 due to the growth in the inmate population. During the fiscal year, the inmate population increased by 1,087 from 40,686 to 41,773. In FY 2014 the department opened 500 permanent medium custody beds and anticipates an additional 500 permanent medium and maximum custody beds will open in FY 2015. The department also plans to add 626 close custody beds by shifting resources from the maximum security population.

**Attorney General – Review of FY 2013 Uncollectible Debts** – The Committee gave a favorable review of the Attorney General's (AG) FY 2013 listing of uncollectible debts referred to the AG by state agencies for collection. The uncollectible debt listings total \$44.9 million for FY 2013.

**Attorney General – Review of Quarterly Reports on Legal Settlements** – The Committee gave a favorable review of the \$455,100 allocation of legal settlements for the fourth quarter of FY 2014. Of the \$455,100 total, \$63,900 went to

the Consumer Protection – Consumer Fraud (CPCF) Revolving Fund, \$227,900 to the Restitution Subaccount, \$27,100 to the Remediation Subaccount, and \$136,000 to the Antitrust Enforcement (AE) Revolving Fund.

Monies in the CPCF Revolving Fund are used to pay for operations of the Consumer Protection Division. Monies in the Restitution Subaccount are used to compensate identifiable entities who suffer economic loss from consumer fraud. Monies in the Remediation Subaccount are deposited when there are no identifiable entities resulting from consumer fraud. Monies in the AE Revolving Fund cover the AG's antitrust enforcement costs.

**AHCCCS/Department of Economic Security/Department of Health Services – Review of Proposed Capitation Rate Changes** – The Committee gave a favorable review of AHCCCS' proposed capitation rate changes for the state's Medicaid system. In the aggregate, the proposed rates are expected to cost \$4.0 million more than the budgeted amounts for rate adjustments.

**AHCCCS – Review of Seriously Mentally Ill Interagency Agreement with DHS** – The Committee gave a favorable review of the interagency agreement with the Department of Health Services (DHS) for providing integrated acute care and behavioral health services for more than 17,000 Medicaid-eligible Seriously Mentally Ill (SMI) adults in Maricopa County. The integrated capitation rate for integrated SMI adults in contract year ending (CYE) 2015 is \$2,398 per month, a decreased monthly capitation rate of (1.1)% from the prior CYE. Of that amount, approximately \$527 is paid through the AHCCCS budget for acute care services and \$1,872 is paid through the DHS budget for behavioral health services. In FY 2015, AHCCCS will send DHS approximately \$114.1 million in total funds to fund its portion of the integrated SMI services rate. The favorable review included the following provisions:

- 1) AHCCCS submit findings on the integration of care or health outcomes for all Medicaid populations in the integrated pilot; and
- 2) DHS account for the SMI integrated acute care monies separately from all other monies it receives from AHCCCS in order to highlight the availability of funds.

## JLBC Meeting (Continued)

**Department of Child Safety – Review of Transition Funding Expenditure Plan** – The Committee gave a favorable review to an additional \$2.9 million in transition funding for the Department of Child Services (DCS) in the first 6 months of FY 2015. Combined with the \$3.6 million reviewed at the Committee's June meeting, the total expenditure plan is \$6.5 million. The 2<sup>nd</sup> quarter plan continues funding of 40 administration and technology staff for another quarter and allows DCS to purchase mobile field equipment and related technology services. The favorable review included the provision that DCS submit to the Committee the number of filled administrative positions and the year-to-date transition expenditures 30 days after the end of each calendar quarter.

**Department of Economic Security – Review of Transition Funding Expenditure Plan** – The Committee gave a favorable review to \$500,000 in transition funding for the Department of Economic Services (DES) in FY 2015 for the planning phase of relocating the DES Data Center. In this phase, DES will assess how to move the Data Center. The favorable review included the following provisions:

- 1) DCS receive necessary ADOA approvals for information technology expenses before spending any amount above the \$500,000 planning monies;

- 2) DCS submit more detailed information regarding the split between State and Federal funding for the Data Center by October 31, 2014 and address how equipment purchase and leasing arrangements will affect federal financial participation; and
- 3) The favorable review does not constitute Committee endorsement of the DES' full \$7.0 million plan.

**Arizona Board of Regents – Review of FY 2015 Tuition Revenues** – The Committee gave a favorable review of the Arizona Board of Regents' expenditure plan to use tuition revenue amounts greater than the amounts appropriated by the Legislature and all non-appropriated tuition and fee revenue for FY 2015.

**JLBC Staff – Review of Agency Legal Services Charges** – The Committee gave a favorable review of the fund source reports for the Attorney General legal services charges.

## JCCR Meeting

At its September 30, 2014 meeting, the Joint Committee on Capital Review considered the following issues:

**University of Arizona - Review of Bioscience Partnership Building (Phoenix)** - The Committee gave a favorable review to the UA's \$136.1 million University Lottery Revenue Bond issuance to fund construction of the 10-story 245,000 square foot Bioscience Partnership Building, located in Phoenix, to house new research laboratories. In terms of debt service, 80% of the cost will be paid with Lottery revenues and 20% will be paid from system revenues. The favorable review includes the standard university financing provisions along with an additional provision that the UA provide the final debt service schedules for the projects as soon as they are available.

**University of Arizona - Review of Bioscience Research Laboratories Building Project (Tucson)** - The Committee gave a favorable review to the UA's \$99.5 million revenue bond issuance to fund construction of a Bioscience Research Laboratories Building project in Tucson. The project includes new construction of a 124,200 gross square foot building to expand the research space of the BIO5 Institute along with utilities installation and the remodeling of another building. The

total project cost will be \$101.0 million with funding coming from \$89.8 million in system revenue bonds, \$9.7 million in University Lottery Bonds, and \$1.5 million in Proposition 301 funds. The favorable review includes the standard university financing provisions along with an additional provision that the UA provide the final debt service schedules for the projects as soon as they are available.

**Arizona Board of Regents - Review of FY 2015 Building Renewal Allocation Plan** - The Committee gave a favorable review to ABOR's FY 2015 Building Renewal Allocation Plan totaling \$3.0 million in which ASU was allocated \$1.1 million for 2 projects, NAU was allocated \$336,000 for 2 projects, and the UA was allocated \$1.6 million for 4 projects.

**Department of Transportation - Review of FY 2015 Building Renewal Allocation Plan** - The Committee gave a favorable review to ADOT's FY 2015 Building Renewal Allocation Plan totaling \$3.4 million. The plan calls for \$3.2 million from the State Highway Fund for 133 projects and \$204,900 from the State Aviation Fund for 25 projects, with a contingency of \$2,000. The favorable review includes the provision that ADOT shall report any

## JCCR Meeting (Continued)

project reallocations above \$100,000 to the JLBC Staff. The plan will fund a variety of projects including HVAC, electrical, plumbing, roof repairs and replacement, and remodeling.

### **Coconino Association for Vocations, Industry and Technology** - Consider Approval of Proposed JTED Lease

- The Committee approved the Coconino Association for Vocations, Industry and Technology's plan to lease a 680 square foot classroom from the Flagstaff Unified School District (FUSD) in order to establish a "leased centralized campus" in a vacant wing of FUSD's Sinagua Middle School for the current school year. The one classroom would be used to offer a new program called Fashion Design and Merchandising where students from multiple high schools could attend.

**Arizona Department of Administration** - Consider Recommending FY 2015 Full Rent Exemption - The Committee recommended a full rent exemption of \$48,100 in FY 2015 for the Arizona Geological Survey.

### **Arizona State Parks Board** - Review of FY 2015 State Parks Revenue Fund and State Lake Improvement Fund

Capital Expenditures - The Committee gave a favorable review to the Arizona State Parks Board's \$1.9 million expenditure plan for FY 2015 capital improvements. Of that amount, \$1.5 million from the State Lake Improvement Fund would be used for new construction and \$350,000 from the State Park Revenue Fund would be used for building renewal. The plan would fund a variety of projects including restrooms, lift stations, ramps, and roof repairs. The favorable review included the following provisions:

- A) The Parks Board shall report on their final operating plans for the Tonto Natural Bridge Lodge prior to public opening, including the price schedule, their projected revenue, and the use of concessionaire or internal staff.

The Parks Board is to report the progress on implementing all projects to JCCR by February 27, 2015 and June 30, 2015.

## Summary of Recent Agency Reports

**AHCCCS – Report on Systematic Alien Verification for Entitlements Program** – Pursuant to A.R.S. § 36-2903.03, the Arizona Health Care Cost Containment System (AHCCCS) provided its latest report on the collection and verification of documentation associated with the Systematic Alien Verification for Entitlements (SAVE) program.

AHCCCS, in conjunction with the Department of Economic Security (DES), verified the immigration status of 71,453 individuals in FY 2014. During this period, AHCCCS and DES referred 25 individuals (17 citizens, 8 non-citizens) for prosecution for fraudulent schemes, prohibited acts, theft, or forgery. AHCCCS and DES did not identify any fraudulent documents utilizing the SAVE program during FY 2014. (Andrew Smith)

**AHCCCS – Report on Uncompensated Hospital Costs and Hospital Profitability** – Pursuant to A.R.S. § 36-2903.08, AHCCCS is required to report on the uncompensated hospital costs and hospital profitability for Arizona hospitals for the previous fiscal year. AHCCCS used data from the 2012 and 2013 Uniform Accounting Reports (UAR), statutorily required audited financial statements.

From 2012 to 2013, total uncompensated care costs grew from \$745.7 million to \$892.3 million (19.7% increase), but average operating profitability rose from \$8.0 million to \$9.6 million (19.7% increase). In 2014, uncompensated care is expected to decline with the implementation of the Medicaid expansion program. (Andrew Smith)

**Department of Child Safety - Report on Expenditure Plan for Internet Crimes Against Children Appropriation** – Pursuant to a footnote in Laws 2014, 2<sup>nd</sup> Special Session legislation, the Department of Child Safety (DCS) has submitted an expenditure plan for the \$350,000 internet crimes against children appropriation.

The plan allocates the funds to the Arizona Internet Crimes Against Children Task Force (AZICAC), led by the Phoenix Police Department's Internet Crimes Against Children Unit, for the following purposes:

- **Statewide mobile command vehicle (\$175,000)** - The current command vehicle is about 20 years old. The command vehicle is a specially-equipped motorhome with an interview room, restroom, and forensic room, which allows for on-site assessment. The SWAT teams travel in the command vehicle before they raid locations where internet crimes against children are taking place. Because of the potential for human

trafficking and child prostitution, AZICAC's goal is to have the new command vehicle ready prior to the Super Bowl.

- **Equipment and training (\$50,000)** - This cost includes computers, cell phones, external hard disks, forensic software and hardware, and GPS devices.
- **Staffing expenses for 1 investigator (\$125,000)**. (Ben Beutler)

**Department of Corrections - Report on Transition Release Program** – Pursuant to A.R.S. § 31-285, the State Department of Corrections (ADC) has submitted its fixed annual report that details the cost reductions to the department from an inmate early release Transition Program and the number of participants who did not receive an early release under the Transition Program. Statute requires ADC to contract with a private or nonprofit entity to provide eligible drug offenders with transition services. The ADC Transition Release Program allows eligible inmates in the Transition Program to be released 3 months earlier than the inmate's earliest release date.

In FY 2014, the department reports that 855 participants successfully completed the Transition Program and their term of community supervision while an additional 483 participants completed the Transition Program and continued their term of community supervision. A total of 91 participants failed to complete the early transition release by violating their conditions of supervision. In total, the program is responsible for 54,768 bed days saved which translates into a savings of \$931,056. (Micaela Larkin)

**Arizona Criminal Justice Commission - Report on Anti-Racketeering Revolving Fund** - Pursuant to A.R.S. § 13-2314.01, the Arizona Criminal Justice Commission (ACJC) is required to report by September 30 each year on the Anti-Racketeering Revolving Fund (ARRF) by compiling Attorney General, department, and agency reports into a single comprehensive report of sources and expenditures.

In FY 2014, ARRF received revenues totaling \$36.3 million and had expenditures totaling \$25.3 million. Seizures by investigating and prosecuting agencies were highest in Maricopa County in FY 2014 at \$13.1 million. Agencies participating in Maricopa County cases also accounted for the highest expenditure total for FY 2014 with \$16.2 million in ARRF monies spent.

ARRF consists of monies derived from seized property and assets that result from judgments pursuant to anti-racketeering statutes. Once a settlement or conviction is reached, the Attorney General disperses the monies to the involved state and local investigative and prosecutorial agencies. Additionally, assets seized as

## Summary of Recent Agency Reports (Continued)

part of a federal investigation are deposited into the fund and used in accordance with state and federal guidelines. Monies in the ARRF are used to help fund the investigation and prosecution of any offense defined as racketeering pursuant to Arizona statutes. (Krista MacGahan)

**Department of Economic Security - Report on Annual Child Care Expenditures** - A.R.S. § 46-810 requires the Department of Economic Security (DES) to provide an annual child care report to the Committee. The FY 2014 report shows that the average number of children served decreased to 23,761, or (7.5)% below FY 2013; the number of families served decreased by (6.9)%. Across categories, the number of children served in the Low Income Working category (including those in special circumstances) decreased (10.8)%, child welfare-related placements increased by 1.4%, the number of Temporary Assistance for Needy Families-related children decreased by (17.8)%, while the number of children receiving transitional child care decreased by (9.8)%.

The amount spent by DES on child care subsidies decreased to \$101.0 million, or (5.7)% below FY 2013. The average monthly subsidy paid per child increased 2.0% to \$354.08. The total amount of co-payments decreased (10.9)% from FY 2013 to \$5.1 million. (Tom Ritland)

**Department of Economic Security - Report on Reimbursement Rates for Developmental Disabilities Programs** - Pursuant to A.R.S. § 36-2959, the Department of Economic Security (DES) has provided its annual study of Medicaid reimbursement rates to service providers in the Developmental Disabilities program. The study states that the provider rates in FY 2015 are generally adequate and appropriate, but also notes that there are serious rate deficiencies for some services based on a recent rate rebase study.

The rebase study highlighted that 5 of the top 10 services by total funding, including Habilitation, Day Treatment, Attendant Care, Respite Care, and Group Home Room and Board, had adopted rates below 80% of the benchmark rate. However, the report concludes that the division's rates are adequate and appropriate according to federal standards that require a sufficient number, mix, and geographic distribution of providers and services to serve enrolled members. (Tom Ritland)

**Department of Economic Security - Report on the Status of the Unemployment Insurance Trust Fund** - Pursuant to A.R.S. § 23-665.13B, the Department of Economic Security (DES) has provided a quarterly status report on

the Unemployment Insurance (UI) Trust Fund. During the 2<sup>nd</sup> quarter of calendar year (CY) 2014, DES reports that the UI Trust Fund had a beginning balance of \$2.9 million, revenues of \$277.1 million, and fund outlays of \$93.0 million. DES also paid off \$200.0 million in UI tax anticipation notes in May 2014, resulting in a negative ending balance of \$(12.7) million.

During the recession, Arizona was 1 of 33 states to borrow from the U.S. Department of Labor to fund unemployment benefits. After borrowing the Federal Funds, the state established a UI special assessment on employers for CY 2011 and CY 2012 only. Despite the additional revenue from the special assessment, the state was unable to repay all outstanding federal loans by November 10, 2012, resulting in a 0.3% federal unemployment tax (FUTA) increase for CY 2012, which equaled an average extra charge of \$21 per employee.

To repay the federal loan by September 2013, DES issued \$200 million in UI tax anticipation notes. By paying off the federal loan, the state avoided (1) the continuation of the 0.3% FUTA rate increase from CY 2012 and (2) an additional 0.3% FUTA rate increase in CY 2014.

The Department resumed borrowing from the federal government in June 2014 in order to maintain benefits. Thus far, DES has borrowed \$12.7 million with \$33,100 in interest. The Department is paying down the debt as balances are available in the UI Fund and paying interest with Special Assessment funds. DES anticipates the UI Fund will have a positive ending balance of \$138.4 million in the 2<sup>nd</sup> quarter of CY 2015. (Tom Ritland)

**Arizona Department of Environmental Quality (ADEQ) - Report on Progress of Water Quality Assurance Revolving Fund Sites** - Pursuant to a FY 2015 General Appropriation Act footnote, ADEQ is required to report the progress of each site listed on the Water Quality Assurance Revolving Fund (WQARF) registry. There are 10 potential steps in the WQARF process. At the end of FY 2014, DEQ reports 34 WQARF sites. Early Response Actions were conducted at 4 sites and work will be continued on these sites in FY 2015. One site was removed from the WQARF registry in FY 2014. Twelve out of 15 of the FY 2014 Remedial Investigation sites are expected to be completed and advance to the Feasibility Study stage in FY 2015.

By the end of FY 2015, DEQ anticipates 34 WQARF sites, including 1 site being added to and 1 site being removed from the registry. At least 15 sites are planned for stage completion or advancement to the next stage of the WQARF process in FY 2015. (Josh Hope)

## Summary of Recent Agency Reports (Continued)

**Department of Health Services - Annual Report on Individuals with a Serious Mental Illness (SMI)** – Pursuant to A.R.S. § 36-3415, the Arizona Department of Health Services (DHS) is required to report annually on behavioral health demographics, utilization and expenditures.

DHS states that enrollment of members with a SMI diagnosis in Arizona's public behavioral health system in FY 2014 increased by 2% to 40,381. The share of the population that resided in Maricopa County declined by 3% from the previous year, comprising only 48%, or 19,272 members, of the total SMI population. The percentage of enrolled SMI members eligible for Medicaid increased from 73% in the previous year to 78% in FY 2014. Compared to last year, FY 2014 annual per capita expenditures decreased from \$10,600 to \$8,000 for Medicaid-eligible members and increased from \$2,900 to \$3,600 for Non-Medicaid-eligible members. DHS attributes the discrepancy in expenditures between the 2 groups to the benefit package available to Non-Medicaid-eligible members, which is more limited than what is used by Medicaid-eligible members. DHS reports that the annual per capita expenditure rate outside of Maricopa County decreased from \$5,700 in FY 2013 to \$5,000 in FY 2014 and the rate decreased from \$11,200 to \$9,100 inside Maricopa County.

The most widely used services by members during FY 2014 were case management, medical and treatment services. Of all members, 98% used case management services, 79% received medical services, and 62% received treatment services. Additionally, 17% of members accessed at least once during FY 2014 hospital, in-home, or mobile crisis intervention services that stabilize or prevent a sudden or potentially dangerous behavioral health episode.

DHS collected a sample of income data taken from members with a SMI diagnosis who received some form of behavioral health service in FY 2014. Medicaid-eligible members had, on average, an annual income that was 52% less than Non-Medicaid-eligible members. Collection of household size and income for all members is scheduled to begin statewide in January 2015. (Matt Gress)

**Arizona Department of Transportation - Annual Report on Motor Vehicle Division Wait Times** – A FY 2014 General Appropriation Act footnote requires the Arizona Department of Transportation to report to the Legislature annually on customer wait times in Motor Vehicle Division (MVD) field offices and vehicle registration renewal by mail turnaround times. In metropolitan areas, the average customer wait time from receiving a ticket until arriving at the counter decreased from 31.6 minutes in FY 2013 to 25.3 minutes in FY 2014. In non-metropolitan areas, the

average customer wait time increased from 14.9 minutes in FY 2013 to 16.5 minutes in FY 2014. Average customer wait times in metropolitan areas ranged from 18.4 minutes in the Apache Junction office to 31.6 minutes in the Glendale office in FY 2014. These same offices were the low and the high in FY 2013.

Fewer customers visited MVD field offices last year, declining by (0.8)% from 3,379,515 customer visits in FY 2013 to 3,352,705 in FY 2014.

The average turnaround time for vehicle registration renewal by mail increased by 18.2% from 1.1 days in FY 2013 to 1.3 in FY 2014. (Ben Beutler)

**Universities - Report on University Research Infrastructure Income** – Pursuant to A.R.S. § 15-1670, Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA) are required to submit an annual report on the amount of the previous year's income from licensure and royalty payments and the sale or transfer of intellectual property developed by the university, and to deposit a portion of that income into the state General Fund. ASU, NAU and UA reported that no deposits were made in FY 2014, as they report that their income is net of expenses instead of gross income.

ASU, NAU and UA reported no net income from licensure and royalty payments, or the sale or transfer of intellectual property in FY 2014. In terms of FY 2014 gross royalty revenues, ASU reported \$3.4 million of licensing and royalty revenues, NAU reported \$32,100 of licensing and royalty revenues and UA reported \$1.1 million of licensure, royalty and assignment revenues. (Art Smith)

## September Spending

September 2014 General Fund spending of \$779.3 million was \$56.2 million more than September 2013. Year-to-date, spending is \$3.94 billion, or \$212.1 million above last year.

(See Tables 6 & 7).

- Due to the state accounting system, at this time Department of Economic Security and Department of Child Safety expenditures cannot be displayed separately.
- Year-to-date, the Department of Education has spent \$20.4 million more than the prior year.
- Year-to-date, Department of Health Services spending has increased by \$60.9 million compared to the prior year. This increase is in part due to the expansion of adult Medicaid coverage to 133% of FPL, which is entirely paid for with General Fund monies in the Department of Health Services.

**Table 6**

	General Fund Spending (\$ in Millions)			
	<u>Sept 14</u>	<u>Change From Sept 13</u>	<u>Year-to-Date</u>	<u>YTD Change from FY 14</u>
<b>Agency</b>				
AHCCCS	137.8	33.0	334.9	11.7
Corrections	80.7	7.2	241.1	13.2
Economic Security/Chlld Safety	9.0	1.3	488.9	69.3
Education	232.3	(0.7)	1,622.8	20.4
Health Services	14.9	(1.0)	475.6	60.9
Public Safety	4.1	2.2	26.6	14.7
School Facilities Board	0.2	0.1	151.2	(1.6)
Univ ersities	255.9	9.4	346.3	15.5
Leaseback Debt Service	0.0	0.0	84.1	0.0
Other	<u>44.4</u>	<u>4.7</u>	<u>170.7</u>	<u>8.0</u>
<b>Total</b>	<b>779.3</b>	<b>56.2</b>	<b>3,942.2</b>	<b>212.1</b>

Table 7

General Fund Spending (\$ in Thousands)				
Agency	Sept 14	Change from Sept 13	Year-to-Date	YTD Change from FY 14
Dept. of Admin./Automation Projects Fund	3,173.0	(7,010.5)	9,487.4	(4,470.6)
ADOA – Sale/Leaseback Debt Service	-	-	84,123.7	3.9
Office of Administrative Hearings	70.8	(21.9)	240.2	1.4
Department of Agriculture	951.4	376.2	2,235.7	22.7
AHCCCS	137,813.2	32,951.5	334,894.4	11,674.9
Attorney General	1,430.5	(170.8)	5,413.4	(1,036.1)
State Board of Charter Schools	152.1	142.3	256.9	6.6
AZ Commerce Authority	2,625.0	-	7,875.0	-
Community Colleges	679.8	457.4	17,201.3	862.8
Corporation Commission	44.3	8.9	134.5	13.6
Department of Corrections	80,652.0	7,249.6	241,101.8	13,192.6
AZ State Schools for the Deaf & Blind	2,021.5	934.0	6,173.7	767.6
Dept. of Econ. Security/Dept. of Child Safety	9,043.0	1,267.9	488,917.6	69,326.4
Department of Education	232,332.3	(691.1)	1,622,824.3	20,412.1
DEMA	377.0	(73.9)	1,511.2	(126.0)
DEQ – WQARF	7,000.0	7,000.0	7,000.0	7,000.0
Office of Equal Opportunity	17.2	2.7	43.5	(3.4)
State Board of Equalization	41.8	(9.2)	186.5	(4.1)
Board of Executive Clemency	56.5	9.1	271.3	33.6
Department of Financial Institutions	216.8	(103.8)	781.9	(96.2)
Department of Fire, Bldg and Life Safety	222.5	91.0	625.9	63.3
State Forester	283.6	79.1	906.9	112.8
Arizona Geological Survey	45.4	(11.1)	145.6	(35.4)
Governor/OSPB	1,247.7	591.2	2,567.1	517.2
Department of Health Services	14,931.2	(995.5)	475,617.1	60,866.3
Arizona Historical Society	194.5	(37.2)	1,077.3	0.4
Prescott Historical Society of AZ	52.6	2.9	184.5	16.9
Independent Redistricting Comm.	54.8	(120.5)	188.2	(330.1)
Commission of Indian Affairs	4.5	1.2	15.3	5.1
Department of Insurance	370.6	19.0	1,199.6	(251.0)
Judiciary				
Supreme/Superior Court	1,807.6	(226.2)	23,529.3	211.5
Court of Appeals	1,409.1	412.8	3,450.2	47.8
Department of Juvenile Corrections	3,198.9	202.1	9,686.2	119.3

**Table 7 (Continued)**

<b>Agency</b>	<b>Sept 14</b>	<b>Change from Sept 13</b>	<b>Year-to-Date</b>	<b>YTD Change from FY 14</b>
State Land Department	904.6	246.2	3,220.8	792.6
Legislature				
Auditor General	1,505.3	111.9	4,415.4	(28.5)
House of Representatives	963.0	98.1	2,789.2	96.9
Joint Legislative Budget Comm.	208.1	66.0	542.7	67.0
Legislative Council	664.6	(346.2)	2,146.9	64.7
Senate	606.5	32.2	1,851.0	59.3
Mine Inspector	59.7	(31.2)	330.4	(14.4)
Nav. Streams & Adjudication	9.4	(0.2)	55.4	27.9
Phoenix Convention Center	-	-	20,449.0	-
Pioneers' Home	5.5	(19.0)	479.5	42.0
Comm. for Postsecondary Ed.	-	-	698.4	654.4
Department of Public Safety	4,095.0	2,229.6	26,594.3	14,679.8
Arizona Department of Racing	-	-	1,779.5	-
Radiation Regulatory Agency	58.9	29.2	401.9	(2.2)
Real Estate Department	393.1	215.9	757.9	(11.7)
Department of Revenue	5,426.8	377.0	14,151.0	(2,433.0)
School Facilities Board	215.9	107.9	151,173.7	(1,633.4)
Secretary of State	3,107.3	288.5	4,684.7	459.5
Tax Appeals Board	50.8	33.1	85.2	0.5
Office of Tourism	1,300.0	1,136.5	4,486.3	4,000.7
Universities				
Board of Regents	8,060.1	2,952.9	9,668.5	3,644.2
Arizona State University	114,459.5	5,449.7	155,253.0	9,374.3
Northern Arizona University	37,810.3	753.0	52,441.4	2,259.1
University of Arizona	95,596.2	259.6	128,929.0	210.1
Department of Veteran Services	297.5	(99.2)	1,117.5	(174.5)
Department of Water Resources	793.7	2.0	2,410.5	(12.9)
Water Infrastructure Finance Authority	-	-	1,000.0	1,000.0
Department of Weights & Measures	83.2	(24.0)	242.0	(36.5)
Other - JP Salaries Distribution	57.8	36.0	181.7	96.1
Other	-	-	4.0	4.0
<b>Total</b>	<b>779,253.9</b>	<b>56,223.5</b>	<b>3,942,209.5</b>	<b>212,056.6</b>

Table 8

## Allocations of Military Surplus Items under the Federal 1033 Program as of August 18, 2014

<u>Agency Name</u>	<u>Number of Items</u> <sup>1/</sup>	<u>Value of Items (in Dollars \$)</u> <sup>1/</sup>	<u>Description of Items</u>
Arizona Department of Agricultur	22	7,459	Guns
Arizona Department of Game an	3,749	2,411,838	Vehicles, gun sights, camping gear, etc.
Arizona Department of Public Saf	11,531	3,180,613	Guns, gun sights, vehicles, etc.
Arizona State University Police	70	34,930	Guns
Pima College Police	9	1,242	Guns
University of Arizona Police	81	6,553	Barrack bags
Western College Police	<u>117</u>	<u>105,490</u>	Guns, vehicle, etc.
<b>Total</b>	<b>15,579</b>	<b>\$5,748,125</b>	

<sup>1/</sup> These figures do not include items that have been lost, are unaccounted for, have been returned or were scrapped.

## Tracking Arizona's Recovery

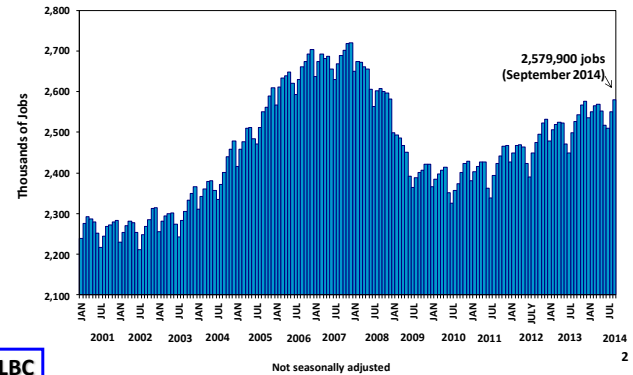
October 2014  
Appendix A

Slide:

- 2.....Total Non-Farm Employment
- 3.....Average Hourly Earnings – Private Sector
- 4.....Initial Claims for Unemployment Insurance
- 5.....State Sales Tax Collections – Retail Category
- 6.....State Sales Tax Collections – Contracting Category
- 7.....Residential Building Permits
- 8.....Economic Activity Index

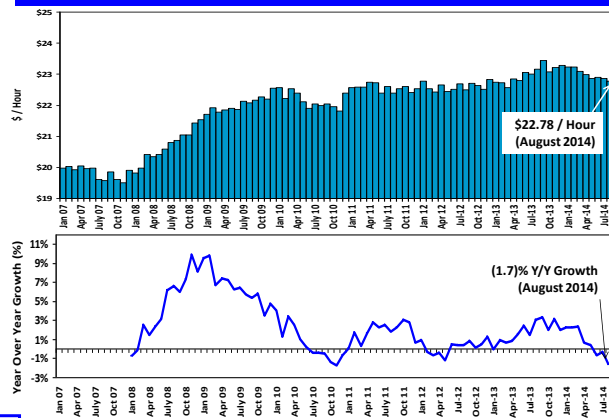
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## Total Non-Farm Employment



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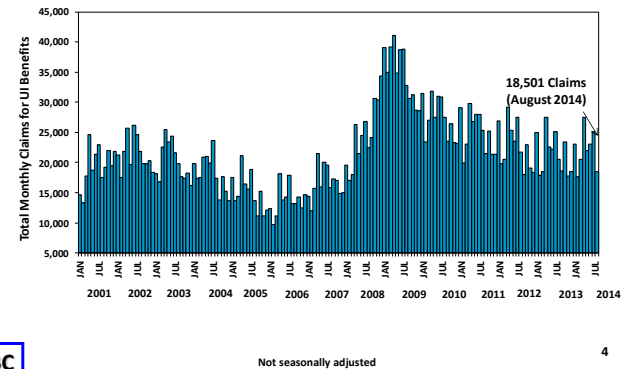
## Average Hourly Earnings – Private Sector



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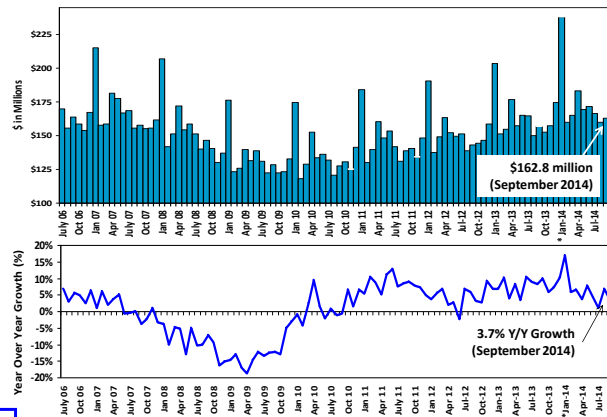
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## Initial Claims for Unemployment Insurance



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## State Sales Tax Collections – Retail Category



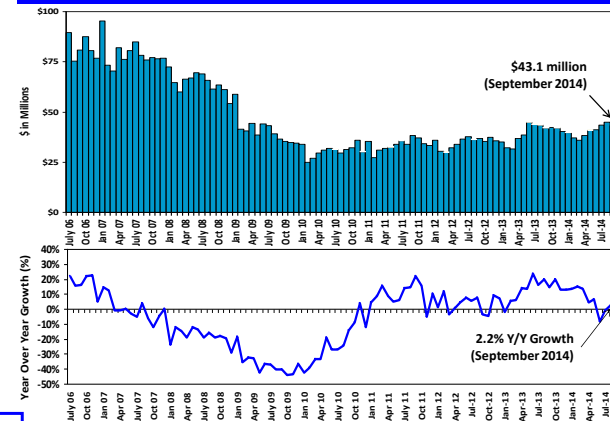
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Excludes temporary 1 ¢ sales tax

\* January 2014 collections reflect the reclassification of approximately \$40 million of revenue from other tax categories to retail collections

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## State Sales Tax Collections – Contracting Category

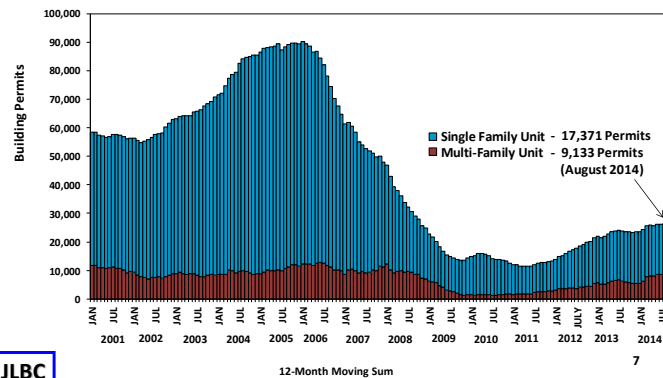


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Excludes temporary 1 ¢ sales tax

6

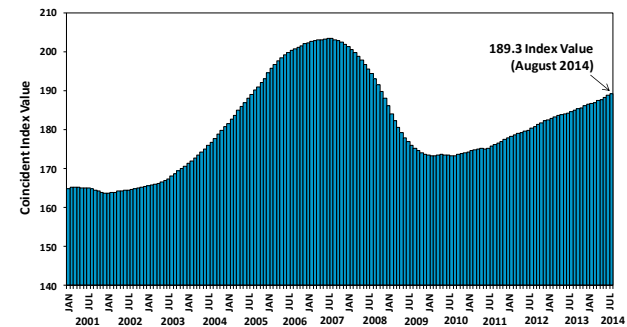
## Residential Building Permits



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7

## Economic Activity Index



JLBC

Source: Coincident Index – Federal Reserve Bank of Philadelphia. Combines four state-level indicators (employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements) to summarize current economic conditions.

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